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51信用卡

51 CREDIT CARD INC.

51 信用卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2051)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of 51 Credit Card Inc. (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2021.

FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	2021	2020	
	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
	(approximate)	(approximate)	(approximate)
Revenue	210,985	164,596	28.2%
Credit facilitation and service fee	135,583	71,974	88.4%
Payment service fee	22,182	20,573	7.8%
Credit card technology service fee	19,200	26,530	-27.6%
SaaS service fee	12,482	6,221	100.6%
Other revenue	21,538	39,298	-45.2%
Operating loss for the period	(203,722)	(765,598)	-73.4%
Net loss for the period	(194,384)	(760,046)	-74.4%
Non-IFRS measures			
Non-IFRS adjusted operating profit/(loss) for the period ⁽¹⁾	4,714	(732,759)	N/A
Non-IFRS adjusted net profit/(loss) for the period ⁽²⁾	27,784	(743,067)	N/A

Notes:

- (1) Non-IFRS adjusted operating profit/(loss) for the period is defined as operating profit/(loss) for the six months ended 30 June 2021 and 2020 excluding share-based compensation expenses, fair value loss/(gain) of financial assets FVPL, impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.*
- (2) Non-IFRS adjusted net profit/(loss) for the period is defined as net profit/(loss) for the six months ended 30 June 2021 and 2020 excluding share-based compensation expenses, fair value loss/(gain) of financial assets/(liabilities) at FVPL, impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.*
- No interim dividend was declared for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group operates a widely-used credit card management platform, 51 Credit Card Manager App (“**51 Credit Card Manager**”). As at 30 June 2021, the number of registered users of 51 Credit Card Manager was approximately 86.6 million, and the number of credit cards we had managed cumulatively amounted to approximately 145.8 million. In September 2019, we launched a commercial information searching tool, Little Blue Book App (“**Little Blue Book**”), with an aim to provide users with valuable commercial information. As at 30 June 2021, Little Blue Book had approximately 6.3 million registered users.

In the first half of 2021, the scale of our credit facilitation business recovered steadily and through the adoption of stringent risk control measures, the delinquency rate of credit facilitation assets maintained at a low level. In addition, we adopted multiple measures to continue to intensify efforts in the collection of overdue assets generated from historical credit facilitation business, so that the recovery of overdue assets has maintained a positive momentum.

In 2020, we repositioned Little Blue Book as a “smart sales intelligence platform” and launched the “Blue Intelligence* (藍色線索)” product targeting small and medium-sized enterprises (“**SMEs**”). In the first half of 2021, we continued to optimize the product features and user experience of Little Blue Book. While expanding the corporate customers, we have also launched a membership system for individual users to provide them with corporate information inquiry services, sales leads and network referrals which help them achieve better sales performance. We believe that the corporate business and individual business of Little Blue Book can develop collaboratively and mutually promote each other.

In summary, in the first half of 2021, the scale of credit facilitation business recovered steadily, the delinquency rate maintained at a low level and the efficiency of overdue assets recovery maintained a positive momentum, providing a solid foundation for the Group’s day-to-day operations and the development of new businesses such as the software as a service (“**SaaS**”) business. For the six months ended 30 June 2021, our revenue was approximately RMB211.0 million, representing an increase of approximately 28.2% from approximately RMB164.6 million for the corresponding period in 2020; our operating loss was approximately RMB203.7 million, representing a decrease of approximately 73.4% from approximately RMB765.6 million for the corresponding period in 2020; and our net loss was approximately RMB194.4 million representing a decrease of approximately 74.4% from approximately RMB760.0 million for the corresponding period in 2020.

As for non-IFRS measures, for the six months ended 30 June 2021, our non-IFRS adjusted operating profit was approximately RMB4.7 million, as compared with non-IFRS adjusted operating loss of approximately RMB732.8 million for the corresponding period in 2020; and our non-IFRS adjusted net profit was approximately RMB27.8 million, as compared with non-IFRS adjusted net loss of approximately RMB743.1 million for the corresponding period in 2020. Please refer to the section headed “FINANCIAL REVIEW – Non-IFRS measures” of this announcement for the definitions, explanations of usage and reconciliations of non-IFRS measures.

	For the six months ended 30 June				Period on period change
	2021		2020		
	<i>RMB' 000</i> <i>(unaudited)</i> <i>(approximate)</i>	<i>Percentage</i> <i>of revenue</i> <i>(approximate)</i>	<i>RMB' 000</i> <i>(unaudited)</i> <i>(approximate)</i>	<i>Percentage</i> <i>of revenue</i> <i>(approximate)</i>	<i>Percentage</i> <i>(approximate)</i>
Revenue	210,985	100.0%	164,596	100.0%	28.2%
Credit facilitation and service fee	135,583	64.3%	71,974	43.7%	88.4%
Payment service fee	22,182	10.5%	20,573	12.5%	7.8%
Credit card technology service fee	19,200	9.1%	26,530	16.1%	-27.6%
SaaS service fee	12,482	5.9%	6,221	3.8%	100.6%
Other revenue	21,538	10.2%	39,298	23.9%	-45.2%
Operating loss for the period	(203,722)		(765,598)		-73.4%
Net loss for the period	(194,384)		(760,046)		-74.4%
Non-IFRS measures					
Non-IFRS adjusted operating profit/(loss) for the period ⁽¹⁾	4,714		(732,759)		N/A
Non-IFRS adjusted net profit/ (loss) for the period ⁽²⁾	27,784		(743,067)		N/A

Notes:

- (1) Non-IFRS adjusted operating profit/(loss) for the period is defined as operating profit/(loss) for the six months ended 30 June 2021 and 2020 excluding share-based compensation expenses, fair value loss/(gain) of financial assets at fair value through profit or loss (“FVPL”), impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.
- (2) Non-IFRS adjusted net profit/(loss) for the period is defined as net profit/(loss) for the six months ended 30 June 2021 and 2020 excluding share-based compensation expenses, fair value loss/(gain) of financial assets/(liabilities) at FVPL, impairment loss of intangible assets and impairment loss of investments accounted for using equity method. For more details, please see the section headed “Non-IFRS measures” below.

1. Credit Facilitation Service

In the first half of 2021, the total volume of credit facilitation business was approximately RMB1,777.1 million, all being businesses under the cooperation with financial institutions, representing an increase of approximately 16.9% from approximately RMB1,520.6 million for the first half of 2020. Through the adoption of stringent risk control measures, the Day-1 delinquency rate (defined as the total amount of overdue principal as of a specified date divided by the total amount of principal due for repayment as of such date) of the credit facilitation assets facilitated in the first half of 2021 was lower than 5.0%, and the total risk level of the credit facilitation business maintained at a low level. Meanwhile, the 30-day collection rate of overdue assets was approximately 90.0%. The average tenure of loans decreased from approximately 9.9 months for the corresponding period in 2020 to approximately 8.7 months in the first half of 2021, and the average amount of loans decreased from approximately RMB12,000 for the corresponding period in 2020 to approximately RMB10,000 in the first half of 2021.

2. SaaS Business

Our SaaS business consists of Little Blue Book business and smart retail business. Little Blue Book is a smart sales intelligence platform that generates subscription income from corporate and individual customers. Our smart retail business serves corporate customers, and obtains fixed income from system development and hardware and software sales and service fees based on customer usage such as transaction payment amount, cloud server usage and SMS traffic. Revenue from SaaS business increased from approximately RMB6.2 million for the corresponding period in 2020 to approximately RMB12.5 million for the six months ended 30 June 2021.

3. Credit Card Technology Service

In the first half of 2021, credit card technology service mainly focuses on the issuance of co-branded cards under the cooperation with financial institutions. We evaluate the investment in each business line based on market conditions from time to time. As the amount of investment in the co-branded card business was reduced in the first half of 2021, the revenue from credit card technology service decreased from approximately RMB26.5 million for the corresponding period in 2020 to approximately RMB19.2 million for the six months ended 30 June 2021.

OUTLOOK

With the complete exit of the P2P business (the “**P2P Exiting**”) and the cessation of new loan origination through micro loan subsidiary and consolidated trust schemes in 2020, the transformation and adjustment of various business lines to adapt to market changes and the introduction of new management, we have successfully shaken off the historical burden and entered into a period of stable development. In the future, our business will focus on providing technology service output for various institutions, specifically:

For financial technology business, we will rely on the historical accumulation of 51 Credit Card Manager and continue to cooperate with financial institutions in the areas of credit facilitation and credit card technology services, etc., and continue to strengthen our capabilities in risk control and customer acquisition. In addition, we will also actively explore market opportunities in the digital transformation of domestic banks and provide them with comprehensive operation management solutions by leveraging our years of experience in Internet technology, products and operations, etc. to help them improve their Internet operation capabilities.

For the innovative business, we will continue to increase our investment in Little Blue Book business and further enhance the ability of artificial intelligence technology in big data processing and optimize the sales chain of enterprise to improve the accuracy and timeliness of sales intelligence. For individual customers, we plan to continuously optimize product features and user experience. For corporate customers, we will further study the sales pain points of SMEs in order to improve the product design of key sections in sales chains and strengthen the customized service capability of personalized solutions, so as to achieve revenue growth steadily.

FINANCIAL INFORMATION

The Board announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021, together with the comparative figures for the six months ended 30 June 2020 as below.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Credit facilitation and service fee	3	135,583	71,974
Payment service fee		22,182	20,573
Credit card technology service fee		19,200	26,530
SaaS service fee		12,482	6,221
Other revenue	4	21,538	39,298
Total revenue		210,985	164,596
Origination and servicing expenses	5	(113,907)	(136,821)
General and administrative expenses	5	(69,411)	(81,470)
Research and development expenses	5	(24,397)	(38,997)
Sales and marketing expenses	5	(22,986)	(22,736)
Expected credit loss	6	(16,798)	(639,803)
Other losses, net	7	(167,208)	(10,367)
Total operating expenses		(414,707)	(930,194)
Operating loss		(203,722)	(765,598)
Share of net loss of associates accounted for using equity method		(1,212)	(4,551)
Fair value (loss)/gain of financial liabilities at fair value through profit or loss		(13,732)	15,860
Finance (expenses)/income, net		(4,253)	3,953
Loss before income tax		(222,919)	(750,336)
Income tax credit/(expense)	8	28,535	(9,710)
Loss for the period		(194,384)	(760,046)

		Six months ended 30 June	
		2021	2020
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
	– Owners of the Company	(177,291)	(730,839)
	– Non-controlling interests	(17,093)	(29,207)
		(194,384)	(760,046)
Other comprehensive loss			
<i>Items that may not be reclassified to profit or loss</i>			
	Change in fair value attributable to change in the credit risk of other financial liability at fair value through profit or loss	(1,777)	–
	Currency translation differences	4,133	(955)
	Total comprehensive loss for the period, net of tax	(192,028)	(761,001)
Total comprehensive loss attributable to:			
	– Owners of the Company	(178,332)	(730,568)
	– Non-controlling interests	(13,696)	(30,433)
Loss per share attributable to owners of the Company – basic and diluted			
(expressed in RMB per share):			
	Loss for the period – basic	(0.15)	(0.73)
	Loss for the period – diluted	(0.15)	(0.73)

The above condensed consolidated interim statement of comprehensive loss should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment, net		111,358	121,937
Right-of-use assets		4,277	6,373
Intangible assets		350,567	501,137
Investments accounted for using equity method		43,887	32,099
Financial assets at fair value through profit or loss		70,426	100,693
Deferred income tax assets		108,052	101,745
Prepayments and other receivables	10	292	392
Total non-current assets		688,859	864,376
Current assets			
Quality assurance fund receivable	11	30,140	22,190
Contract assets	12	47,634	35,487
Trade receivables	13	28,373	11,935
Prepayments and other receivables	10	177,354	132,128
Loans to customers, net		148,942	171,203
Financial assets at fair value through profit or loss		55,000	–
Restricted cash		221,710	221,735
Cash and cash equivalents		276,519	412,684
Total current assets		985,672	1,007,362
Total assets		1,674,531	1,871,738

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Note</i>		
EQUITY AND LIABILITIES			
Equity			
Share capital		90	90
Share premium		6,146,403	6,136,837
Shares held for employee incentive schemes		(11)	(11)
Reserves		(24,167)	(45,843)
Accumulated losses		(5,298,751)	(5,121,460)
Non-controlling interests		(1,723)	11,973
Total equity		821,841	981,586
Liabilities			
Non-current liabilities			
Bank and other borrowings		24,061	27,483
Lease liabilities		231	1,828
Deferred income tax liabilities		82,191	119,434
Total non-current liabilities		106,483	148,745
Current liabilities			
Quality assurance fund payable	11	61,780	53,867
Payable to platform customers		104,342	129,653
Contract liabilities	12	16,485	17,214
Bank and other borrowings		171,750	171,563
Lease liabilities		3,044	2,988
Trade and other payables	14	310,699	316,338
Income tax payable		15,228	2,414
Financial liabilities at fair value through profit or loss		62,879	47,370
Total current liabilities		746,207	741,407
Total liabilities		852,690	890,152
Total equity and liabilities		1,674,531	1,871,738

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

NOTES

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim financial reporting” issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), and any public announcements made by the Group during the six months ended 30 June 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2020, except for the adoption of new or amended standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2021.

The following new standards, amendments and interpretation of IFRSs have been adopted by the Group for the first time for the financial year beginning 1 January 2021:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform

The adoption of these revised IFRSs was currently irrelevant or had no significant impact on the condensed consolidated interim financial information. The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3 CREDIT FACILITATION AND SERVICE FEE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Upfront credit facilitation service fee	68,193	35,116
Post credit facilitation service fee	<u>67,390</u>	<u>36,858</u>
	<u>135,583</u>	<u>71,974</u>

Note: The unsatisfied performance obligation as at 30 June 2021 was approximately RMB40,123,000. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 30 June 2021 will be recognized as revenue within the next twelve months.

4 OTHER REVENUE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Overdue charges	6,188	6,290
Referral service fee	3,507	21,284
Interest income of loans to customers	135	1,361
Others	<u>11,708</u>	<u>10,363</u>
	<u>21,538</u>	<u>39,298</u>

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	106,039	111,067
External technical service fees	43,372	36,831
Fund transfer charges	24,289	34,859
Marketing and advertising fees	20,232	17,457
Depreciation and amortization	16,035	40,860
Professional service fees	5,183	18,730
Office expenses	4,249	4,716
Others	11,302	15,504
	<hr/>	<hr/>
Total amount of origination and servicing expenses, general and administrative expenses, research and development expenses and sales and marketing expenses	230,701	280,024
	<hr/>	<hr/>

Note: Incremental costs to obtain arrangements where the Group is not the loan originator are generally expensed off when incurred, because the amortization periods of these incremental costs are one year or less. These costs are recorded as sales and marketing expenses.

6 EXPECTED CREDIT LOSS

The composition of expected credit loss (“ECL”) provided for six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Quality assurance fund (<i>Note 11</i>)	11,854	534,657
Trade receivables (<i>Note 13</i>)	2,989	50,888
Contract assets (<i>Note 12</i>)	1,759	38,597
Prepayments and other receivables	181	–
Loans to customers, net	15	15,661
	<hr/>	<hr/>
	16,798	639,803
	<hr/>	<hr/>

7 OTHER LOSSES, NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value (loss)/gain on financial assets at FVPL	(27,062)	15,945
Gain/(loss) on disposal of financial assets at FVPL	1,389	(9,260)
Gain on disposal of a subsidiary	–	5,405
Government grants	3,984	4,858
Interest expenses to trust senior tranche holders	–	(52)
Impairment loss (a)	(148,903)	(24,565)
Others	3,384	(2,698)
	<u>(167,208)</u>	<u>(10,367)</u>

- (a) The composition of impairment loss provided for the six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment on intangible assets	(148,903)	(15,206)
Impairment on investments accounted for using equity method	–	(9,359)
	<u>(148,903)</u>	<u>(24,565)</u>

8 INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense of the Group during the periods presented are analyzed as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	15,015	3,396
Deferred income tax	<u>(43,550)</u>	<u>6,314</u>
	<u><u>(28,535)</u></u>	<u><u>9,710</u></u>

The Group's main applicable taxes and tax rates are as follows:

Cayman Islands

The Company was incorporated in the Cayman Islands. Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no withholding tax will be imposed on dividends distributed by the Company to its shareholders (the “**Shareholders**”).

British Virgin Islands (“BVI”)

The Group's entities incorporated in BVI are not subject to tax on income or capital gains.

Hong Kong (“HK”)

The Group's entities incorporated in HK are subject to the profits tax rate of 16.5%.

Within the People's Republic of China (the “PRC”)

The subsidiaries and variable interest entities of the Group established within the PRC are generally subject to the standard enterprise income tax rate of 25%, except for entities qualified as “High and New Technology Enterprise” which are entitled to the preferential income tax rate of 15%.

9 LOSS PER SHARE

- (a) Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company (RMB'000)	(177,291)	(730,839)
Weighted average number of ordinary shares in issue ('000)	1,211,483	1,003,299
Basic loss per share (expressed in RMB)	<u>(0.15)</u>	<u>(0.73)</u>

- (b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the six months ended 30 June 2021 and 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2021 and 2020 is the same as basic loss per share.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company (RMB'000)	(177,291)	(730,839)
Weighted average number of ordinary shares in issue ('000)	1,211,483	1,003,299
Weighted average number of ordinary shares for calculation of diluted earnings per share ('000)	1,211,483	1,003,299
Diluted loss per share (expressed in RMB)	<u>(0.15)</u>	<u>(0.73)</u>

10 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Included in non-current assets:		
Rental deposits	<u>292</u>	<u>392</u>
	<u>292</u>	<u>392</u>
Included in current assets:		
Deposits	75,129	38,892
Withholding tax paid on behalf of grantees under employee incentive schemes	21,998	21,998
Receivables from disposal of bad debts	16,924	12,311
Prepaid expenses	12,734	10,157
Value-added tax receivables	11,952	16,340
Receivables from investees	4,000	4,000
Others	<u>34,617</u>	<u>28,430</u>
	<u>177,354</u>	<u>132,128</u>
Total	<u><u>177,646</u></u>	<u><u>132,520</u></u>

11 QUALITY ASSURANCE FUND PAYABLE AND RECEIVABLE

The following table sets forth the Group's quality assurance fund payable movements for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Opening balance	53,867	1,559,495
Fair value of newly written quality assurance obligation	61,651	63,922
ECL for quality assurance fund	19,397	499,812
Release of the margin	(4,306)	(6,000)
Payouts during the period, net	(68,829)	(1,735,571)
Ending balance	61,780	381,658

In accordance with the regulatory guidance issued by the PRC authorities, the Group conducted the P2P Exiting in the first half of 2020. In particular, the Group ceased to facilitate any loans from individual investors, and in the meantime all remaining outstanding loans (that were facilitated by the Group) to individual investors before 30 June 2020 had been settled by the Group by the repayment of approximately RMB625 million in cash to the individual investors or transferred to the third party institutional companies.

The following tables set forth the Group's quality assurance fund receivable movements for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Opening balance	22,190	566,801
Fair value of newly written quality assurance obligation	61,651	63,922
ECL for quality assurance fund (a)	3,237	(40,845)
Contribution received from borrowers	(56,938)	(458,877)
Ending balance	30,140	131,001

	As at 30 June 2021			
	ECL staging			Total <i>RMB'000</i> (Unaudited)
	Stage 1 <i>RMB'000</i> (Unaudited)	Stage 2 <i>RMB'000</i> (Unaudited)	Stage 3 <i>RMB'000</i> (Unaudited)	
Quality assurance fund receivable	26,692	1,153	616,252	644,097
Less: ECL allowance under IFRS 9 (a)	(454)	(106)	(613,397)	(613,957)
Quality assurance fund receivable, net	26,238	1,047	2,855	30,140

	As at 31 December 2020			
	ECL staging			Total <i>RMB'000</i> (Audited)
	Stage 1 <i>RMB'000</i> (Audited)	Stage 2 <i>RMB'000</i> (Audited)	Stage 3 <i>RMB'000</i> (Audited)	
Quality assurance fund receivable	19,722	1,387	791,867	812,976
Less: ECL allowance under IFRS 9 (a)	(2,662)	(701)	(787,423)	(790,786)
Quality assurance fund receivable, net	17,060	686	4,444	22,190

- (a) The following tables explain the changes in the ECL allowance of quality assurance fund receivable by stage for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June 2021			
	Stage 1 12-month ECL <i>RMB'000</i> (Unaudited)	Stage 2 Lifetime ECL <i>RMB'000</i> (Unaudited)	Stage 3 Lifetime ECL <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Opening balance	2,662	701	787,423	790,786
Net decrease for the period (i)	(2,195)	(565)	(174,069)	(176,829)
Transfer				
Transfer from Stage 1 to Stage 2	(21)	21	–	–
Transfer from Stage 1 to Stage 3	(10)	–	10	–
Transfer from Stage 2 to Stage 1	18	(18)	–	–
Transfer from Stage 2 to Stage 3	–	(33)	33	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Ending balance	454	106	613,397	613,957

	Six months ended 30 June 2020			Total <i>RMB'000</i> (Unaudited)
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance	49,449	49,749	667,253	766,451
Net (decrease)/increase for the period (i)	(35,421)	(15,465)	32,810	(18,076)
Transfer				
Transfer from Stage 1 to Stage 2	(3,763)	3,763	–	–
Transfer from Stage 1 to Stage 3	(5,750)	–	5,750	–
Transfer from Stage 2 to Stage 1	4,211	(4,211)	–	–
Transfer from Stage 2 to Stage 3	–	(25,961)	25,961	–
Transfer from Stage 3 to Stage 2	–	104	(104)	–
Ending balance	<u>8,726</u>	<u>7,979</u>	<u>731,670</u>	<u>748,375</u>

- (i) This item includes changes of Probability of Default, Exposure at Default and Loss Given Default due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.

12 CONTRACT ASSETS/(LIABILITIES)

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Contract assets	652,728	638,822
Less: ECL allowance	<u>(605,094)</u>	<u>(603,335)</u>
Contract assets, net	<u>47,634</u>	<u>35,487</u>
Contract liabilities	<u>(16,485)</u>	<u>(17,214)</u>

The activity in the total ECL allowance for the six months ended 30 June 2021 and 2020 consisted of the following:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening balance	(603,335)	(461,739)
Provision of ECL for the period	<u>(1,759)</u>	<u>(38,597)</u>
Ending balance	<u><u>(605,094)</u></u>	<u><u>(500,336)</u></u>

Note: The Group receives payments from borrowers over the tenures of the loans. Contract assets represent the Group's right to consideration in exchange for services that the Group has provided. A substantial majority of the Group's contract assets as at 30 June 2021 would be realized within the next twelve months as the weighted average term of the arrangements where the Group was not the loan originator was less than twelve months. The Group determined that there was no significant financing component for its arrangements where the Group was not the loan originator.

13 TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Referral and credit card technology service receivables	211,564	192,755
Others	<u>2,115</u>	<u>1,497</u>
	<u>213,679</u>	<u>194,252</u>
ECL allowance	<u>(185,306)</u>	<u>(182,317)</u>
Trade receivables, net	<u><u>28,373</u></u>	<u><u>11,935</u></u>

The activity in the total ECL allowance for trade receivables for the six months ended 30 June 2021 and 2020 consisted of the following:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Opening balance	(182,317)	(75,262)
ECL allowance for the period	<u>(2,989)</u>	<u>(50,888)</u>
Ending balance	<u><u>(185,306)</u></u>	<u><u>(126,150)</u></u>

Aging analysis of trade receivables based on invoice date is as follows:

	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 30 days	4,356	4,434
More than 30 days	<u>209,323</u>	<u>189,818</u>
	<u><u>213,679</u></u>	<u><u>194,252</u></u>

14 TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Payables for equity investments	214,825	214,825
Payables to settlement banks	22,266	21,582
Payroll and welfare payables	20,387	23,815
Trade payables (a)	9,132	8,149
Online promotion marketing expenses payables	7,146	2,471
Payables to related parties	1,963	218
Deposit payables	1,215	2,387
Other tax payables	1,198	7,375
Payables on behalf of credit card users	629	959
Others	31,938	34,557
	310,699	316,338

(a) Trade payables represent payables of fund transfer charges and collection service charges.

The aging analysis of trade payables based on invoice date is as below:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 30 days	4,563	3,519
30 to 90 days	2,886	1,847
90 to 180 days	658	2,041
180 to 360 days	825	742
Over 360 days	200	—
	9,132	8,149

15 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

FINANCIAL REVIEW

Revenue

Our total revenue increased from approximately RMB164.6 million for the six months ended 30 June 2020 to approximately RMB211.0 million for the six months ended 30 June 2021.

Credit facilitation and service fee increased from approximately RMB72.0 million for the six months ended 30 June 2020 to approximately RMB135.6 million for the six months ended 30 June 2021. We generally collect credit facilitation service fee from borrowers according to the pre-confirmed fee schedules, and recognize in our consolidated financial statements the upfront credit facilitation service fee at the inception of the loan and the post credit facilitation service fee over the loan period. The increase of credit facilitation service fee was mainly attributable to the increase of the credit facilitation business volume and the increased rate of return along with the decrease in the risk level of credit facilitation business in the first half of 2021.

Payment service fee increased from approximately RMB20.6 million for the six months ended 30 June 2020 to approximately RMB22.2 million for the six months ended 30 June 2021, mainly due to the increase in business volume of payment service in the first half of 2021.

SaaS service fee increased from approximately RMB6.2 million for the six months ended 30 June 2020 to approximately RMB12.5 million for the six months ended 30 June 2021, mainly due to the increase in the transaction volume of smart retail business and the increase in the subscription income of Little Blue Book in the first half of 2021.

Credit card technology service fee decreased from approximately RMB26.5 million for the six months ended 30 June 2020 to approximately RMB19.2 million for the six months ended 30 June 2021. In the first half of 2021, credit card technology service mainly focuses on the issuance of co-branded cards under the cooperation with financial institutions. After evaluating the market situations, we reduced the investment in the co-branded card business, which led to a decrease in credit card technology service fee.

Other revenue decreased from approximately RMB39.3 million for the six months ended 30 June 2020 to approximately RMB21.5 million for the six months ended 30 June 2021, mainly due to the decrease in the referral service fee from approximately RMB21.3 million for the six months ended 30 June 2020 to approximately RMB3.5 million for the six months ended 30 June 2021. In the first half of 2021, the number of referral service partners decreased, thus resulting in a decrease in business volume as compared with the corresponding period in 2020.

Operating expenses

Total operating expenses decreased by approximately 55.4% from approximately RMB930.2 million for the six months ended 30 June 2020 to approximately RMB414.7 million for the six months ended 30 June 2021.

Origination and servicing expenses decreased by approximately 16.7% from approximately RMB136.8 million for the six months ended 30 June 2020 to approximately RMB113.9 million for the six months ended 30 June 2021, including (i) the depreciation and amortization expenses for the six months ended 30 June 2021 decreased by approximately 62.1% to approximately RMB7.7 million from approximately RMB20.3 million for the corresponding period in 2020 due to the expiration of certain leases and useful lives of certain fixed assets; (ii) the fund transfer charges for the six months ended 30 June 2021 decreased by approximately 30.4% to approximately RMB24.3 million from approximately RMB34.9 million for the six months ended 30 June 2020 mainly due to the decrease in the volume of repayment of credit facilitation business in the first half of 2021 as compared with that for the corresponding period in 2020; and (iii) the loan referral service expenses increased to approximately RMB4.4 million for the six months ended 30 June 2021 from nil for the corresponding period in 2020 because the amount of loan referred by third-party business partners increased.

Sales and marketing expenses for the six months ended 30 June 2021 was approximately RMB23.0 million, which was basically the same as approximately RMB22.7 million for the six months ended 30 June 2020. In the first half of 2021, we optimized the investment model and achieved growth in the scale of business on the basis that sales and marketing expenses were basically the same compared to the corresponding period in 2020.

General and administrative expenses decreased by approximately 14.8% from approximately RMB81.5 million for the six months ended 30 June 2020 to approximately RMB69.4 million for the six months ended 30 June 2021, mainly because professional services fees decreased to approximately RMB5.1 million from approximately RMB18.7 million for the corresponding period in 2020 as a result of the reduction in our consulting services expenses in order to save cost.

Research and development expenses decreased by approximately 37.4% from approximately RMB39.0 million for the six months ended 30 June 2020 to approximately RMB24.4 million for the six months ended 30 June 2021, mainly due to the decrease in the average headcount of research and development staff, leading to a decrease by approximately 28.1% to approximately RMB19.2 million in employee benefit expenses for research and development department for the six months ended 30 June 2021 from approximately RMB26.7 million for the corresponding period in 2020.

Expected credit loss decreased by approximately 97.4% to approximately RMB16.8 million for the six months ended 30 June 2021 from approximately RMB639.8 million for the six months ended 30 June 2020, mainly because in the first half of 2021, the impact of the P2P Exiting and the pandemic of the coronavirus disease (“**COVID-19**”) on our business was weakened substantially. Meanwhile, we adopted stringent risk control measures and the risk level of the credit facilitation business maintained at a low level.

Other losses, net increased from approximately RMB10.4 million for the six months ended 30 June 2020 to approximately RMB167.2 million for the six months ended 30 June 2021, which mainly represents that (i) the impairment loss on license under intangible assets accrued with reference to the market prices in the same period increased from nil in the corresponding period in 2020 to approximately RMB148.9 million for the six months ended 30 June 2021; and (ii) the fair value (loss)/gain on financial assets at FVPL changed to a loss of approximately RMB27.1 million for the six months ended 30 June 2021 from a gain of approximately RMB15.9 million for the six months ended 30 June 2020, as the business of several investees was underperformed in the first half of 2021, resulting in a lower market value as at 30 June 2021 as compared to that of 31 December 2020.

Share of net loss of associates accounted for using equity method

Share of net loss of associates accounted for using equity method decreased by approximately 73.9% from approximately RMB4.6 million for the six months ended 30 June 2020 to approximately RMB1.2 million for the six months ended 30 June 2021, because of the decrease in losses of several associates in the first half of 2021.

Fair value (loss)/gain of financial liabilities at FVPL

Fair value (loss)/gain of financial liabilities at FVPL changed from a gain of approximately RMB15.9 million for the six months ended 30 June 2020 to a loss of approximately RMB13.7 million for the six months ended 30 June 2021, mainly because of the increased market value of such liabilities as at 30 June 2021 as compared to that of 31 December 2020.

Finance (expenses)/income, net

Finance (expenses)/income, net changed from income of approximately RMB4.0 million for the six months ended 30 June 2020 to expenses of approximately RMB4.3 million for the six months ended 30 June 2021. Such decrease mainly reflected the decrease in interest income due to the decrease in the amount of bank deposits.

Income tax credit/(expenses)

Income tax credit/(expenses) changed from expenses of approximately RMB9.7 million for the six months ended 30 June 2020 to credit of approximately RMB28.5 million for the six months ended 30 June 2021, mainly due to the derecognition of deferred income tax liabilities related to impairment loss on license under intangible assets which led to the increase of income tax credit.

Loss for the period

As a result of the foregoing, our loss for the period decreased from approximately RMB760.0 million for the six months ended 30 June 2020 to approximately RMB194.4 million for the six months ended 30 June 2021, primarily due to in the first half of 2021, (i) the rebound in business scale of credit facilitation business which resulted in an increase in revenue; (ii) the impact of the P2P Exiting and COVID-19 pandemic which have been weakened substantially, and through the adoption of stringent risk control measures, the delinquency rate of credit facilitation assets maintained at a low level, which led to a significant decrease in the amount of ECL under IFRS 9 as compared to the corresponding period in 2020; and (iii) partially offset by the impairment loss on license under intangible assets of approximately RMB148.9 million accrued with reference to the market prices in the same period.

Non-IFRS measures

To supplement our consolidated financial results that have been prepared in accordance with IFRSs, we also use adjusted operating profit/(loss) and adjusted net profit/(loss) as additional financial indicators, which are not presented in accordance with IFRSs. We believe that adjusted operating profit/(loss) and adjusted net profit/(loss) facilitate comparisons of operating performance from period to period by eliminating potential impacts of items which the management considers non-indicative of our operating performance, and provide useful information to investors and others in understanding and evaluating our consolidated results of operations. The use of adjusted operating profit/(loss) and adjusted net profit/(loss) have limitations as an analytical tool, and such measures should not be considered as an isolation from, or as a substitute for an analysis of, our results of operations or financial conditions as prepared under IFRSs. As non-IFRS measures do not have a standardised meaning prescribed by IFRSs, such non-IFRS measures may be defined differently from similar terms presented by other companies, and may not be comparable to other similarly titled measures presented by other companies.

When measuring adjusted operating profit/(loss) and adjusted net profit/(loss) for the period, we excluded share-based compensation expenses, fair value loss/(gain) of financial assets/(liabilities) at FVPL, impairment loss of intangible assets and impairment loss of investments accounted for using equity method from operating loss and net loss, respectively. We excluded these items because they were either non-operating in nature or not indicative of our core operating results and business outlook, or did not generate any cash outflows: (i) share-based compensation expenses were excluded because they were non-cash in nature and did not result in cash outflow. In particular, as the types of share-based compensation and valuation methodologies used may vary in different companies, we believed that excluding such item provides investors and others with greater visibility to the underlying performance of our business operations; (ii) fair value loss/(gain) of financial assets/(liabilities) at FVPL were non-cash in nature and did not result in cash outflow. We believe that this item was not reflective of our ongoing operating results and there was no direct correlation to the operation of our business; and (iii) impairment loss of intangible assets and impairment loss of investments accounted for using equity method were non-cash items and there were no direct correlation to the operation of our business.

The following tables reconcile the non-IFRS adjusted operating profit/(loss) for the period and the adjusted net profit/(loss) for the period presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which are operating loss for the period and net loss for the period:

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Non-IFRS adjusted operating profit/(loss)		
Operating loss	(203,722)	(765,598)
Adjusted for:		
Share-based compensation expenses	32,471	24,219
Fair value loss/(gain) of financial assets at FVPL	27,062	(15,945)
Impairment loss of intangible assets	148,903	15,206
Impairment loss of investments accounted for using equity method	—	9,359
Non-IFRS adjusted operating profit/(loss)	4,714	(732,759)

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Non-IFRS adjusted net profit/(loss)		
Net loss	(194,384)	(760,046)
Adjusted for:		
Share-based compensation expenses	32,471	24,219
Fair value loss/(gain) of financial liabilities at FVPL	13,732	(15,860)
Fair value loss/(gain) of financial assets at FVPL	27,062	(15,945)
Impairment loss of intangible assets	148,903	15,206
Impairment loss of investments accounted for using equity method	—	9,359
Non-IFRS adjusted net profit/(loss)	27,784	(743,067)

Liquidity, Financial Resources and Gearing

The Group maintained a net cash position throughout the period under review. Our net cash positions as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021 <i>RMB' million</i> (Unaudited)	As at 31 December 2020 <i>RMB' million</i> (Audited)
Cash and cash equivalents	277	413
Liquid investments	55	–
Borrowings	(196)	(199)
Net cash	136	214

Cash and cash equivalents include cash at banks and other short-term deposits with original maturities of three months or less. Liquid investments are primarily wealth management products issued by banks and held with the primary objective of generating income at a yield higher than current bank deposit rates. Our cash and cash equivalents and liquid investments are denominated in the United States dollars (the “US dollars”), Renminbi (“RMB”) and HK dollars.

For the six months ended 30 June 2021, the Group recorded net cash outflow of approximately RMB136.2 million, primarily representing net cash used in operating activities of approximately RMB68.9 million among which the net cash outflow for deposits was approximately RMB62.0 million; net cash used in investing activities of approximately RMB62.9 million which was mainly due to the purchase of wealth management products of approximately RMB55.0 million; and net cash used in financing activities of approximately RMB4.7 million.

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The gearing ratio, calculated as total borrowings divided by total assets, was approximately 11.7% as at 30 June 2021 (31 December 2020: approximately 10.6%).

The following table sets forth the maturity profile of our borrowings within the periods indicated:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 year	171,750	171,563
1 year to 2 years	7,141	6,942
2 years to 5 years	16,920	20,541
Total borrowings	195,811	199,046

The bank and other borrowings as at 30 June 2021 were denominated in RMB (31 December 2020: RMB). For the six months ended 30 June 2021, the annual interest rates of borrowings ranged between 5.64% to 8.04% (six months ended 30 June 2020: 5.64% to 14.61%).

Exposure to Fluctuations in Exchange Rates

The Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and HK dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if US dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the six months ended 30 June 2021 would have been approximately RMB1,915,000 higher/lower, and the loss before income tax for the six months ended 30 June 2020 would have been approximately RMB2,099,000 higher/lower, as a result of net foreign exchange gains/(losses) on translation of net monetary liabilities denominated in US dollars.

For the Group's PRC subsidiaries whose functional currency is RMB, if HK dollars had strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the six months ended 30 June 2021 would have been approximately RMB300 lower/higher, and the loss before income tax for the six months ended 30 June 2020 would have been approximately RMB400 lower/higher, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in HK dollars.

The Group would enter into foreign exchange forward contracts depending on circumstance to cover specific foreign currency payments and receipts within the exposure generated from time to time.

Charge on Assets

As at 30 June 2021 and 2020, the Group had charged its properties located at Building B3, No. 588 Wenyi West Road, Hangzhou, PRC in favour of Wenchuang Branch of Bank of Hangzhou and Hangzhou Branch of Bank of Wenzhou for obtaining mortgage loans of RMB53.0 million and RMB90.0 million, respectively.

Future Plans for Material Investment or Acquisition of Capital Assets

For the six months ended 30 June 2021, the Group did not have any material investments (six months ended 30 June 2020: nil). The Group had no other specific plan for material investment or acquisition of capital assets as at 30 June 2021.

Material Acquisition and Disposal

For the six months ended 30 June 2021, the Group did not have any material acquisition or disposal (six months ended 30 June 2020: except for the deemed disposal of a subsidiary as disclosed in the Company's announcements dated 14 April, 27 April and 29 May 2020 and the circular dated 11 May 2020, nil).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2021 (31 December 2020: nil).

Employees and Remuneration Policy

As at 30 June 2021, the Group had approximately 280 staff (31 December 2020: 260). For the six months ended 30 June 2021, the total staff cost incurred by the Group was approximately RMB106.0 million (for the six months ended 30 June 2020: approximately RMB111.1 million).

The Company has established an effective compensation management system and talent incentive mechanism by following the principle of “competitive compensation to attract high-quality talent”. The Company’s compensation system is linked to the performance appraisal system and the Group’s operating results to create a more fair and humane working environment for each employee to fully exert his/her own value, so as to provide human resources guarantee for the Group’s sustainable and stable development. In addition, the Company focuses on employee training system construction, including new employee induction training and on-the-job training, covering professional training to improve vocational skills, management training to enhance leadership quality and general-purpose training to develop comprehensive quality.

The Company has also adopted the 51 Stock Scheme and the 51 Award Scheme to reward the Group’s employees. For details, please refer to the sections headed “Other Information – RESTRICTED SHARE UNIT (“RSU”) SCHEMES” in the interim report of the Company for the six months ended 30 June 2021 to be despatched to the Shareholders and “Report of the Directors – RESTRICTED SHARE UNIT (“RSU”) SCHEMES” in the annual report of the Company for the year ended 31 December 2020, respectively.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (THE “IPO”)

The shares of the Company (the “**Shares**”) were listed and commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 July 2018. The gross proceeds and net proceeds raised by the Company from the IPO amounted to approximately HK\$1,009.0 million and approximately HK\$988.3 million, respectively, and an additional gross proceeds and net proceeds of approximately HK\$62.9 million and approximately HK\$61.3 million, respectively, were raised from the allotment and issue of the Shares as a result of the partial exercise of the over-allotment option.

In order to meet the current operation needs, increase the Group's competitiveness and provide more buffer to cope with the economic uncertainties in the future, on 31 August 2020, the Board resolved to change the use of approximately HK\$257.6 million (equivalent to approximately RMB228.7 million) out of the remaining unutilized net proceeds as at the date of the Announcement (as defined below), which were originally allocated for (i) user acquisition; (ii) enhancement of technology and risk management capabilities; and (iii) investment (the “**Change**”). The Board considered that the Change was in the best interests of the Group and the Shareholders as a whole. For details of the Change, please refer to the announcement (the “**Announcement**”) of the Company dated 31 August 2020.

As at 30 June 2021, the amount of the net proceeds which remained unutilized was approximately HK\$31.3 million (equivalent to approximately RMB27.8 million). The remaining unutilized net proceeds are expected to be utilized on or before 31 December 2021.

Set out below are details of the use of proceeds up to 30 June 2021:

Planned use of net proceeds	Net proceeds from the IPO		Amount unutilized up to the date of the Announcement		Revised approximate proportion of net proceeds	Reallocation of unutilized net proceeds		Amount utilized up to 30 June 2021		Unutilized net proceeds		Expected timeline for utilizing the remaining unutilized net proceeds ^(Note)
	HK\$ million	RMB' million	HK\$ million	RMB' million		HK\$ million	RMB' million	HK\$ million	RMB' million	HK\$ million	RMB' million	
	(approximate)	(approximate)	(approximate)	(approximate)		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	
User acquisition	419.8	359.7	54.6	48.1	38.8%	41.9	37.0	39.3	34.7	2.6	2.3	by 31 December 2021
Enhancement of technology and risk management capabilities	314.9	269.8	33.6	28.9	39.2%	130.4	115.7	101.7	90.2	28.7	25.5	by 31 December 2021
Investment	209.9	179.8	169.4	151.7	3.9%	–	–	–	–	–	–	–
Working capital and other general corporate purposes	105.0	89.9	–	–	18.1%	85.3	76.0	85.3	76.0	–	–	–
Total	1,049.6	899.2	257.6	228.7	100.0%	257.6	228.7	226.3	200.9	31.3	27.8	

Note: The expected timeline for utilizing the unutilized net proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this announcement. It may be subject to change based on the current and future development of the market conditions.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

On 13 July 2020, the Company entered into subscription agreements with each of Guanrui Investment Limited, Tiantu Investments Limited and East Jump Management Limited, pursuant to which the above subscribers agreed to subscribe, and the Company agreed to allot and issue, an aggregate of 166,666,666 subscription shares at the subscription price of HK\$0.6 per subscription share. The gross proceeds and net proceeds raised from the above subscriptions amounted to approximately HK\$100.0 million and HK\$99.4 million, respectively.

As at 30 June 2021, the above proceeds were utilized in consistent with the usage as disclosed in the supplemental announcement and circular of the Company dated 16 July 2020 and 3 August 2020, respectively, in the manner set out below:

Planned use of net proceeds	Proportion	Net proceeds from the subscriptions		Amount utilized up to 30 June 2021		Unutilized net proceeds		Expected timeline for utilizing the remaining unutilized net proceeds ^(Note)
		HK\$ million	RMB' million	HK\$ million	RMB' million	HK\$ million	RMB' million	
		(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)	
Salary and welfare	50%	49.7	44.2	29.0	24.8	20.7	19.4	by 31 December 2021
Expansion of customer base	30%	29.9	26.5	22.8	20.3	7.1	6.2	by 31 December 2021
Enhancement of collection capabilities	10%	9.9	8.8	9.9	8.8	–	–	–
Working capital and other general corporate purpose	10%	9.9	8.8	4.9	4.7	5.0	4.1	by 31 December 2021
Total	100%	99.4	88.3	66.6	58.6	32.8	29.7	

Note: The expected timeline for utilizing the unutilized net proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this announcement. It may be subject to change based on the current and future development of the market conditions.

INTERIM DIVIDEND

The Board does not recommend the declaration of the interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2021, the Company had applied and complied with all the code provisions in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), with exceptions set out as follows:

Code Provision A.2.1 (Separation of the Roles of Chairman and Chief Executive Officer)

Mr. Sun Haitao acted as the chairman of the Board, an executive Director and the chief executive officer of the Company (the “**Chief Executive Officer**”) until 19 February 2021 and such practice deviated from code provision A.2.1 of the CG Code. The Board believed that this arrangement did not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decisions made by the Board require approval by at least a majority of the Directors and since the Board comprised three independent non-executive Directors out of eight Directors, which was more than the Listing Rules requirement of one-third, and the Board believed that there was sufficient checks and balances among the Board; (ii) Mr. Sun Haitao and the other Directors were aware of and undertook to fulfill their fiduciary duties as Directors, which required, among other things, that he/she acted for the benefit and in the best interests of the Company and would make decisions for the Group accordingly; and (iii) the balance of power and authority was ensured by the operations of the Board which comprised experienced and high calibre individuals who met regularly to discuss issues relating to the operations of the Company. Moreover, the overall strategic and other key business, financial and operational policies of the Group were made collectively after thorough discussion at both the Board and senior management levels.

On 19 February 2021, Mr. Sun Haitao ceased to be the Chief Executive Officer, but he remains as the chairman of the Board and an executive Director. Mr. Zheng Haiguo was appointed as the Chief Executive Officer and an executive Director on the same day. The Board considers that the above arrangements will enable the Company to attract more professional talents and implement a delicate division of responsibilities and management, further laying a solid foundation of its business development in the long run. Following the completion of the above arrangements, the Company has complied with code provision A.2.1 of the CG Code.

Code Provision E.1.2 (Chairman’s Attendance at Annual General Meeting)

Mr. Sun Haitao, the chairman of the Board, was unable to attend the annual general meeting (the “AGM”) held in 2021 due to unexpected business engagements. Mr. Zhao Ke, the chief financial officer of the Company and an executive Director, took the chair of that AGM and Mr. Zheng Haiguo, the Chief Executive Officer and an executive Director, was also present to answer questions from the Shareholders.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirmed that they had complied with the Model Code for the six months ended 30 June 2021.

REVIEW OF THE INTERIM RESULTS

The Company has established the audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, of whom Mr. Wong Ti (independent non-executive Director) is the chairman, and other members are Ms. Zou Yunli (non-executive Director) and Mr. Ye Xiang (independent non-executive Director).

The Audit Committee has reviewed the unaudited interim results and interim report of the Group and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021. The Audit Committee has also reviewed and confirmed the accounting policies and practices adopted by the Company.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 has been reviewed by the Company’s external auditor, PricewaterhouseCoopers, in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the International Auditing and Assurance Standard Board.

EVENTS AFTER THE REPORTING PERIOD

There is no important event affecting the Company or the Group since 30 June 2021 and up to the date of this announcement.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.u51.com). The interim report will be despatched to the Shareholders and published on both aforementioned websites on or before 30 September 2021.

* *The English names have been transliterated from their respective Chinese names and are for identification only.*

By Order of the Board

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Sun Haitao

Chairman and Executive Director

27 August 2021

As at the date of this announcement, the executive Directors are Mr. Sun Haitao, Mr. Zheng Haiguo and Mr. Zhao Ke; the non-executive Directors are Ms. Zou Yunli and Mr. Yu Jin; and the independent non-executive Directors are Mr. Wong Ti, Mr. Ye Xiang and Mr. Xu Xuchu.